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27 October 1959



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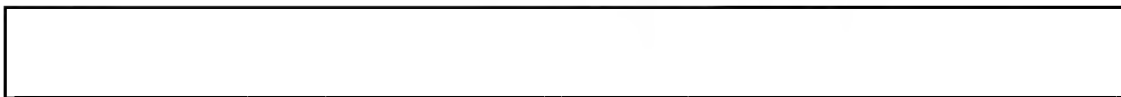
CENTRAL INTELLIGENCE BULLETIN



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DAILY BRIEF

I. THE COMMUNIST BLOC

No
[] USSR-Iran: [Khrushchev, in a talk with the Iranian ambassador on 16 October, expressed interest in the Shah's proposal--made on 23 September to the Soviet ambassador in Tehran--to give the USSR a written guarantee that Iran would not allow missile bases on its territory, but said he must "consider the matter with his government." Khrushchev, who probably regards the offer as a sign of weakness, may have delayed a formal response in the hope of drawing further concessions from Tehran.] []
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II. ASIA-AFRICA

No
[] Iran: [The Shah may push for a change in the 50/50 profit-sharing formula of Western oil companies in Iran. The Shah recently told the American ambassador that a cut in American aid plus the drop in expected oil revenues, due in part to price cuts earlier this year, will present a critical budget situation. If tentative plans by one oil company to cut prices of Iranian oil still further and hence reduce Iranian profits become known, government pressure on the Western oil companies is likely.]

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[] (Page 3)

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Indonesia: Foreign Minister Subandrio has told the American ambassador that Indonesia will have to review its foreign policy in view of Chinese Communist threats and abuse during his recent trip to Peiping. Subandrio, who was outraged and terrified by Peiping's attitude, added, however, that China was a "big powerful neighbor"; he did not see how at present Indonesia could abandon its independent foreign policy, but adjustments in degree and attitude would certainly be made. Subandrio claimed he has the support of President Sukarno, who has been reported shocked over the Chinese attitude. Subandrio pleaded for US support and backing during the coming years. (Page 4)

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III. THE WEST

Cyprus: London officials believe the suspended work of the commission charged with drawing up a constitution for the Cypriot Republic will be renewed shortly, but all indications point to an atmosphere in which negotiations will be difficult. Communal relations on Cyprus remain strained despite the action of Archbishop Makarios and Turkish Cypriot leader Kuchuk in issuing a joint appeal to their followers for the surrender of illegally held arms.

LATE ITEM

*Sino-Indian Border Dispute: A Chinese Communist Foreign Ministry statement of 26 October stiffly insists responsibility for the latest clash with Indian troops in Ladakh rests with the Indians, but the statement concludes on a moderate note. Apparently concerned about the effect of the incident on Indian official and public opinion, Peiping expresses the hope that New Delhi will "refrain from any words and deeds further harming relations between the two countries." As a demonstration of their "traditional friendship," the Chinese offer to release Indian personnel captured in the incident. In words similar to those recently used by Mao Tse-tung in conversation with Indian Communists, the statement/restates Peiping's willingness to negotiate the border dispute in a "favorable atmosphere."

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DAILY BRIEF

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I. THE COMMUNIST BLOC

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Khrushchev Defers Action on Shah's Proposal

[Premier Khrushchev, in a talk with Iranian Ambassador Masud-Ansari on 16 October, expressed interest in the Shah's proposal to give the USSR a written guarantee that Iran would not allow missile bases on its territory, but deferred giving a formal response, saying he wanted to take the matter up with "his government." According to several Iranian accounts of the talk--none of which came directly from Ansari--Khrushchev also criticized Prime Minister Eqlbal for his "anti-Soviet" statements while attending the recent CENTO meeting in Washington.]

[The proposal, which was broached by the Shah to Soviet Ambassador Pegov in late September, is intended to restore Soviet-Iranian relations to the "normal" status which existed prior to the breakdown last February of talks for a nonaggression pact. Khrushchev's delay in responding to Ansari, who reiterated the offer, may reflect caution induced by the Shah's behavior in causing the failure of the talks in February and confidence that Moscow can draw further concessions from Tehran.]

[The Soviet premier probably regards the offer as evidence of the effectiveness of the prolonged Communist-bloc radio propaganda campaign against the Shah's regime. These radio attacks were temporarily relaxed in September concurrent with Pegov's return to his post after an extended absence. Iranian officials are less concerned now with the propaganda attacks, apparently because public interest in them has diminished.]

[The Shah, who discussed the Khrushchev-Ansari talk with Ambassador Wailes on 23 October, noted that Khrushchev had directed his fire against the American-Iranian defense agreement. The Iranian ruler said he interpreted Khrushchev's reaction as evidence that Soviet leaders look on the agreement as an obstacle to Soviet aggression against Iran, either directly or a "possible indirect attack by Afghanistan or Iraq with Soviet volunteers."]

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Shah May Push to Revise Oil Profit-sharing Formula

[The Shah, concerned over the 1960 Iranian budget, recently told American Ambassador Wailes he was considering a new profit-sharing formula for the consortium of Western companies operating nearly all of Iran's oil industry. The Shah anticipates a critical budget situation, because \$30,000,000 worth of American budget support provided in 1959 is not expected for next year. In addition, 1959 saw a \$25,000,000 bonus payment by the Pan American Oil Company for an oil concession; similar bonus payments are not likely in 1960.]

[Discussions for Iran's next budget beginning in March are already under way. Since most budget revenue sources are fairly stable, Tehran can gain additional funds only from the US Government or from the oil companies. The ambassador has already told the Shah that American aid "would be less than last year and probably considerably less." It appears likely, therefore, that the Shah will press for additional oil revenues from either increased production or from a change in the profit split from the present 50/50 arrangement to something closer to the Venezuelan pattern of about 60/40 in favor of the government. The Shah asked whether increased purchases of Iranian oil were possible at the expense of Iraq and Kuwait.]

[While Iranian oil production is likely to continue to increase substantially, revenues may not increase proportionally. Price cuts made on Iranian crude oil earlier this year reduced expected revenues sharply; but total revenues are certain to exceed the \$245,000,000 received in 1958.]

[World crude prices continue to be soft, and at least one oil company in the consortium has tentative plans to reduce the price of Iranian crude oil even further in an effort to increase sales. Such a price cut if implemented would also reduce Iran's share of the profits and could signal the beginning of government-inspired agitation against the consortium with the ultimate goal of substantially changing the present government-company relationship.]

Indonesia Will Review Foreign Policy but Foresees
No Drastic Change

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[Indonesian Foreign Minister Subandrio has told the American ambassador that Djakarta must review its foreign policy in view of his experiences in Peiping in early October. He characterized Peiping's attitude as alternately patronizing and abusive over the issue of Indonesia's treatment of the Overseas Chinese. Subandrio said, however, he does not know what steps to take, because China is a big and powerful neighbor. He did not see how at present Indonesia could abandon its active, independent foreign policy, although he felt "adjustments in degree and attitude" would certainly take place.]

[Apparently later in the conversation, Subandrio, long regarded as a flexible proponent of an independent foreign policy for Indonesia, told the American ambassador that if it were not for Indonesia's claim to West Irian (Netherlands New Guinea), a drastic change in foreign policy would certainly take place. He stated that, unfortunately, Indonesia continues to require the support of the Soviet bloc on this question.]

[Subandrio said he has not retreated on Indonesia's program to ban alien merchants in rural areas--the issue underlying present Sino-Indonesian difficulties. In carrying out this program, he feels he has the support of President Sukarno, who has been shocked by the Chinese attitude.]

[Apparently the Indonesian Government plans to proceed with implementation of the ban, which is to be completed by 1 January. Subandrio may hope that Peiping's threat of economic retaliation--to be waged through Overseas Chinese in Malaya, Singapore, and Indonesia--either will not materialize or will be less effective than pictured by Peiping.]

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